

**LIBRARY OF VIRGINIA**

**REPORT ON AUDIT  
FOR THE PERIOD  
JULY 1, 2004 THROUGH JUNE 30, 2006**



## **AUDIT SUMMARY**

Our audit of the Library of Virginia for the period July 1, 2004 through June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System; and
- one matter involving internal control and its operations and compliance with applicable laws and regulations or other matters necessary to bring to management's attention.

## - TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1
AGENCY HIGHLIGHTS	1-2
AUDIT OBJECTIVES	3
AUDIT SCOPE AND METHODOLOGY	3-4
CONCLUSIONS	4
EXIT CONFERENCE AND REPORT DISTRIBUTION	4
AGENCY RESPONSE	5
AGENCY OFFICIALS	6

## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve Controls Over CARS Access

The Library of Virginia (Library) does not have adequate separation of duties for Commonwealth Accounting and Reporting System (CARS) transaction processing. Library employees should only have access to enter information or to approve information previously entered by another employee. This is important to ensure data integrity. The Library also does not delete employee access to agency and state systems in a timely manner. Two instances were found where employees terminated employment with the Library, and their system access was deleted more than six weeks following the termination date. One employee's access was deleted more than eight months after the termination date. The Library of Virginia should implement termination procedures that ensure terminated employees' system access is deleted in a timely manner. This is important to ensure system security.

### AGENCY HIGHLIGHTS

The Library of Virginia provides reference and research assistance to other state agencies, members of the General Assembly, public libraries, and the general public, and houses the archival records of the Commonwealth of Virginia. The Library provides assistance to state agencies and public libraries to maintain libraries, collections and educational services, preserve publications, and update record management. In both fiscal year 2005 and 2006, the Library distributed over \$16 million in state aid to 91 public library systems.

The Library also operates the State Records Center, which houses the archives annex, reading room, media vault, and Imaging Services Department. The State Records Center maintains inactive and permanent records, as well as security microfilm copies of state and local government records. The Library administers the following three programs to provide these services.

- *Archives Management Program* provides a central reference library, a repository for all state publications, and the archives of the Commonwealth.
- *Financial Assistance for Cultural and Artistic Affairs Program* provides management guidance, fiscal oversight, staff development, and other consulting services to more than 90 public library systems.
- *Statewide Library Services Program* provides advisory assistance to public libraries within the Commonwealth and provides public access to more than 19.2 million materials ranging from books to posters and paintings.

In addition, the Library administers an Administrative and Support Services Program that includes the Library's accounting, budgeting and financial reporting, human resources, photographic and digital imaging, information technology, facilities management, housekeeping, and similar activities and a public information office.

The table below shows the fiscal year 2006 original and amended budget and actual expenses and 2005 actual expenses for the three funding sources of the Library: General Fund, Special Revenue, and Federal Grants. The increase from the General Funds original budget paid for increases in normal operating expenses. Special Revenue funds are primarily from the storage fees charged to agencies and courts for the storage of documents and records, and from local circuit court records preservation fees. These funds are used in support of the Library's programs and operations, and for grants to local circuit courts for records preservation projects. The Library has four federal grants in both fiscal years 2005 and fiscal year 2006. These grants help preserve United States imprint newspapers, maintain a multivolume historical reference on Virginians, and promote access to learning and information resources.

	Fiscal Year 2006			Fiscal Year 2005
	Original Budget	Final Budget	Actual Expenses	Actual Expenses
General Fund appropriations	\$28,350,424	\$29,177,668	\$29,177,668	\$28,181,341
Special revenue	3,544,984	3,607,875	3,393,669	2,383,628
Federal grants	<u>4,104,232</u>	<u>5,283,306</u>	<u>4,709,778</u>	<u>4,888,510</u>
Total	<u>\$35,999,640</u>	<u>\$38,068,849</u>	<u>\$37,281,115</u>	<u>\$35,453,479</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

June 8, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Library of Virginia** for the years ended June 30, 2005 and June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## AUDIT OBJECTIVES

Our audit's primary objective was to review the significant cycles for the Library's activities as reported in the Commonwealth Accounting and Reporting System (CARS). In support of this objective, we evaluated the accuracy of recording financial transactions in CARS; reviewed the adequacy of the Library's internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions of audit findings from prior year reports.

## AUDIT SCOPE AND METHODOLOGY

The Library's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Revenues
- Expenditures
- Payroll
- Small purchase charge card
- Appropriations
- Cash receipting and collections of accounts receivable
- Network security

We performed audit tests to determine whether the Library's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Library's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### CONCLUSIONS

We found that the Library of Virginia properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the cycles listed in the scope section of this report. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations and other matters that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The Library has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

### EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on June 8, 2007. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

SLM/sks



# COMMONWEALTH of VIRGINIA

## THE LIBRARY of VIRGINIA

*serving the archival and research needs of Virginians since 1823*

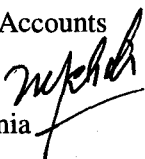
NOLAN T. YELICH  
Librarian of Virginia

804/692-3500  
V/TDD 804/692-3976

June 7, 2007

### MEMORANDUM

**TO:** Walter J. Kucharski  
Auditor of Public Accounts

**FROM:** Nolan T. Yelich   
Librarian of Virginia

**SUBJECT:** Audit Response – CARS Access

Thank you for the opportunity to respond to the audit finding regarding *CARS Access*.

The situation with one employee having both Type 6 and Type 7 access to CARS has been corrected. Type 6 access was deleted and a copy of the form was faxed to APA. All CARS and CIPPS access has been reviewed and found to be appropriate at this time. Topic 50210 and Topic 70220 of the CAPP Manual have been reviewed for direction to prevent a recurrence. The Library of Virginia is conscientious about monitoring the security of its CARS and CIPPS data. Access to the system is segregated to the point no one employee would be able to endanger any financial data.

An improved procedure has been put into place to ensure log-ons are deleted quickly. The Library has developed a security access matrix to assist with the monitoring and control of system access in the future. The matrix lists each employee with access to CARS, CIPPS or Payline along with authorized signatories for CARS and CIPPS. The matrix includes the type/level of access so that any conflicts with input and approval access will be immediately detected. The matrix will be reviewed at the end of each pay period in conjunction with any transfers, terminations, or changes in responsibilities. Access adjustments will be processed immediately where appropriate. A copy of this matrix has been previously provided to APA.

Should you need additional information please contact Ann Harris, Director of Finance and Administrative Services, by phone 692-3576 or e-mail [aharris@lva.lib.va.us](mailto:aharris@lva.lib.va.us)



AGENCY OFFICIALS

THE LIBRARY OF VIRGINIA

Nolan T. Yelich  
Librarian of Virginia

The Library Board

Charles W. Sydnor, Jr.  
Chair

Mary G. Haviland  
Vice Chair

John S. DiYorio	Lewis F. Powell, III
Lydia J. Johnson	Valerie Jean Mayo
F. Claiborne Johnston, Jr.	Mark D. Romer
Ronald S. Kozlowski	Stephen E. Story
Marc Leepson	Carole M. Weinstein
George E. Lovelace	Henry Wiencek

Clifton A. Woodrum, III